Quarterly Securities Report

(The English translation of the "Shihanki-Houkokusho"
for the first quarter of the 72th term)

from December 1, 2020
to February 28, 2021

TOSEI CORPORATION

4-2-3, Toranomon, Minato-ku, Tokyo, Japan

(E04021)

This is an English translation prepared for the convenience of non-resident shareholders by translating the Quarterly Securities Report (Shihanki-Houkokusho) submitted to the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on April 9, 2021. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.

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[Quarterly Review Report of Independent Auditors]

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Company name (Japanese):	トーセイ株式会社 (*Tosei Kabushiki-Kaisha*)
Company name (English):	TOSEI CORPORATION
Title and name of representative:	Seiichiro Yamaguchi, President and CEO
Location of head office:	4-2-3, Toranomon, Minato-ku, Tokyo, Japan (The address is the registered location of the Company's head office and actual operations are conducted at the "Place of contact.")
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Places where the document to be filed is available for public inspection:	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo)

A. Company Information

I. Overview of the Tosei Group

1. Trends in principal management benchmarks

Term	71th term First three months	72th term First three months	71th term
Accounting period	From December 1, 2019 to February 29, 2020	From December 1, 2020 to February 28, 2021	From December 1, 2019 to November 30, 2020
Revenue (¥ thousand)	23,468,579	25,101,589	63,939,781
Profit before tax (¥ thousand)	5,359,510	4,468,503	5,901,313
Profit attributable to owners of the parent (¥ thousand)	3,587,817	3,079,536	3,602,339
Comprehensive income for the period attributable to owners of the parent (¥ thousand)	3,261,219	3,422,452	3,064,864
Total equity (¥ thousand)	59,609,878	61,522,318	58,969,524
Total assets (¥ thousand)	160,297,105	158,003,938	161,684,503
Basic earnings per share (¥)	75.37	65.31	76.05
Diluted earnings per share (¥)	74.95	65.23	75.94
Ratio of equity attributable to owners of the parent to total assets (%)	37.2	38.9	36.5
Net cash from (used in) operating activities (¥ thousand)	6,668,635	10,165,327	12,509,792
Net cash from (used in) investing activities (¥ thousand)	(240,228)	(5,907,836)	(4,054,077)
Net cash from (used in) financing activities (¥ thousand)	(6,062,109)	(5,848,001)	(3,414,376)
Cash and cash equivalents at end of period (¥ thousand)	32,364,783	35,449,599	37,039,600

Notes: 1. Filing company's trends in principal management benchmarks are not disclosed as the Company prepares quarterly consolidated financial statements.
2. Revenue does not include consumption taxes.
3. The above benchmarks are based on the quarterly consolidated financial statements and consolidated financial statements that were prepared in compliance with the International Financial Reporting Standards (hereinafter "IFRS").

2. Business description

During the three months ended February 28, 2021, there were no significant changes in business activities operated by the Tosei Group (the Company and its subsidiaries and affiliates) from the previous fiscal year.

Changes in major subsidiaries and affiliates include the inclusion of TREC MOON LLC in the scope of consolidation, due to the acquisition of equity in the silent partnership.

II. Review of operations

1. Business and other risks

There were no business and other risks that newly arose during the three months ended February 28, 2021. In addition, there were no significant changes in "Business and other risks" described in the annual securities report for the previous fiscal year.

2. Management analysis of financial position, operating results and cash flows

Forward-looking statements included in this section are judged by information available to the Group's management as of February 28, 2021.

(1) Recognition, analysis and contents for discussions of the Group's operating results from the viewpoint of management

1) Recognition, analysis and contents for discussion of business environment and business performance

During the three months ended February 28, 2021, the Japanese economy continued to face a harsh environment due to the impact of COVID-19. While there are expectations of COVID-19 settling down upon the roll-out of vaccinations and economic activities returning to normal, it is necessary to continue monitoring movements in the financial and capital markets.

In the real estate industry where Tosei Group operates, commercial real estate transactions for the whole of 2020 amounted to ¥4.5 trillion, decreasing by no more than 4% year on year. In Japan's highly stable real estate market, investment demand remained high attracting active transactions from overseas as well as Japanese investors. In terms of asset type, despite a slight decrease in the transaction amount of office buildings, investments increased for logistics facilities and residential properties, which can be expected to generate stable income. Going forward, ongoing monetary easing by various countries is expected to continue sustaining the flow of funds into the real estate market and robust transactions are foreseen in 2021 as well (according to a survey by a private research institute).

In the Tokyo metropolitan area condominium market, the number of units newly offered for sale in the whole of 2020 decreased 12.8% year on year to 27,000 units. In addition to voluntary sales restraints under the state of emergency, it is believed that the decrease was a result of companies limiting properties they offer to those securing an appropriate level of earnings. The average contract rate for the first month was 66.0% (an increase of 3.4 percentage points year on year), lower than the 70% threshold from which market conditions are viewed as favorable. However, the annual average price of condominiums rose for the second consecutive year and reached the ¥60 million levels for the first time since 1990. In 2021, newly supplied units are expected to reach 32,000 units (an increase of 17.5% year on year).

In the build-for-sale detached house market, despite robust sales as a result of an increase in customers seeking larger houses with more rooms due to the impact of the spread of working from home, housing starts for the whole of 2020 numbered 54,000 units, a decrease of 14.2% year on year (according to a survey by a private research institute).

Orders received for construction (50 major constructors) from April to December 2020 were ¥8,947.9 billion (a decrease of 6.4% year on year). Orders received from the public sector, which have been growing for the eleventh consecutive month, amounted to ¥2,323.4 billion (an increase of 29.6% year on year), while orders received from the private sector were ¥6,057.1 billion (a decrease of 12.5% year on year), remaining far below the previous fiscal year's level due to construction delays caused by COVID-19. Meanwhile, construction costs for the whole of 2020 remained at high levels, although the costs per tsubo for reinforced concrete structure dropped to ¥912 thousand per tsubo (1 tsubo = 3.30 square meters) (a decrease of 3.4% from ¥944 thousand per tsubo in the previous fiscal year). The construction costs per tsubo for wooden structure were ¥568 thousand (an increase of 1.1% from ¥562 thousand per tsubo in the previous fiscal year) and are continuing to rise gradually (according to a survey by a private research institute).

In the office leasing market of Tokyo's five business wards, the average vacancy rate as of January 2021 was 4.82% (an increase of 3.29 percentage points year on year), against the backdrop of tenants cutting back on office space as a result of deteriorating business performance and the spread of teleworking lifestyle in certain areas due to the impact of the spread of COVID-19, and a slowdown in expansion. The average asking rent was ¥21,846 per tsubo (a decrease of ¥602 year on year), which has continued to fall

from August 2020, and the future trend in supply and demand needs to be monitored (according to a survey by a private research institute).

In the Tokyo metropolitan area's logistics facility leasing market, leasable stock in January 2021 amounted to 6.45 million tsubo (an increase of 11.6% year on year). The vacancy rate was 0.2%, and remained at the lowest level since surveys began in 2008, as new demand continued to exceed supply. The vacancy rate is expected to remain low for the time being, due to the continuously growing use of e-commerce (according to a survey by a private research institute).

In the real estate fund market, the market scale continues to expand. J-REIT assets under management in January 2021 totaled ¥20.5 trillion (an increase of ¥1.3 trillion year on year) and assets under management in private placement funds totaled ¥21.1 trillion (as of June 2020, an increase of ¥1.9 trillion year on year). Combining the two, the real estate securitization market scale grew to ¥41.6 trillion (according to a survey by a private research institute).

In the Tokyo business hotel market, the average guest room occupancy rate in the whole of 2020 was 37.0% (84.2% in the previous fiscal year) due to the severe impact of COVID-19. The total number of hotel guests in Tokyo encompassing all types of accommodation amounted to 29.78 million overnight stays (a decrease of 62.3% year on year). The environment is forecasted to remain harsh for the hotel market for the time being (according to a survey by the Japan Tourism Agency).

Amid this operating environment, in the Revitalization Business, the Group made steady progress in selling assets such as income-generating office buildings and apartments, while in the Development Business, the Group pushed ahead with sales of detached houses and logistics facilities. In addition, the Group also proceeded with the acquisition of income-generating properties and various types of land for development as future sources of income.

As a result, consolidated revenue for the three months ended February 28, 2021 totaled ¥25,101 million (up 7.0% year on year), operating profit was ¥4,640 million (down 16.2%), profit before tax was ¥4,468 million (down 16.6%), and profit attributable to owners of the parent was ¥3,079 million (down 14.2%).

Performance by business segment is shown below.

Revitalization Business

During the three months ended February 28, 2021, the segment sold 21 properties it had renovated, including Ichikawashimamura Building (Ichikawa-shi, Chiba), MY Atsugi Building (Atsugi-shi, Kanagawa), T's garden Center Minami (Yokohama-shi, Kanagawa).

During the three months ended February 28, 2021, it also acquired a total of seven income-generating office buildings and apartments and one land lot for renovation and sales purposes.

As a result, revenue in this segment was ¥14,297 million (down 23.8% year on year) and the segment profit was ¥3,241 million (down 35.2%).

Development Business

During the three months ended February 28, 2021, the segment sold new logistic facilities T's Logi Hasuda (Hasuda-shi, Saitama). In addition, the segment focused on the sale of detached houses, for which there was firm demand. The segment sold 18 detached houses at such properties as THE Palms Court Kamakura Shiromeguri (Kamakura-shi, Kanagawa).
During the fiscal year under review, it also acquired one land lot for commercial facility project and land lots for nine detached houses.

As a result, revenue in this segment was ¥7,190million (up 587.1% year on year) and the segment profit was ¥655 million (in comparison with segment loss of ¥18 million in the same period of the previous fiscal year).

Rental Business

During the three months ended February 28, 2021, while the segment sold 10 buildings of its inventory assets held for leasing purposes, it newly acquired six properties including income-generating office buildings and apartments. In addition, the segment made efforts to lease vacancies out following acquisitions and also focused on leasing activities for its holding non-current assets and inventory assets.

As a result, revenue in this segment was ¥1,382 million (up 6.4% year on year) and the segment profit was ¥728 million (up 57.0%).

Fund and Consulting Business

During the three months ended February 28, 2021, while ¥34,095 million was subtracted due mainly to property dispositions by funds, ¥65,220 million added due to new asset management contracts, from to the balance of assets under management (Note) ¥1,123,406 million for the end of the previous fiscal year. The balance of assets under management as of February 28, 2021, was ¥1,154,531 million.

As a result, revenue in this segment was ¥938 million (up 0.3% year on year) and the segment profit was ¥616 million (up 5.2%).

Note: The balance of assets under management includes the balance of assets that were subject to consulting contracts, etc.

Property Management Business

During the three months ended February 28, 2021, the segment made efforts to win new contracts and maintain existing contracts. Consequently, the total number of properties under management was 689 as of February 28, 2021, an increase of 23 from February 29, 2020, with the total comprising 447 office buildings, hotels, logistic facilities and other such properties, and 242 condominiums and apartments.

As a result, revenue in this segment was ¥1,209 million (down 0.3% year on year) and segment profit was ¥213 million (up 19.8%).

Hotel Business

During the three months ended February 28, 2021, the Group continued to put the safety and security of our customers first in our business, but the impact of COVID-19 was significant, and both revenue and segment loss in this segment were significantly lower than the same period of the previous fiscal year.

As a result, revenue in this segment was ¥82 million (down 61.4% year on year) and segment loss was ¥218 million (in comparison with segment loss of ¥166 million in the same period of the previous fiscal year).

2) Analysis and contents for discussion of Operating Results

During the three months ended February 28, 2021, the Group performed its sales activities under a state of emergency, which was declared again at the beginning of January. Although four out of the five hotels operated by the Group have been temporarily closed in response to the declaration, impact on the Group's financial results are immaterial under its portfolio management, as the Group shows steady performance. In the real estate investment market in the Tokyo metropolitan area, which is the Group's main target market, current real estate transactions have more or less recovered to levels before COVID-19, with the exception of hotels and commercial facilities. The Group also completed the sales of the logistics facility, "T's Logi Hasuda," its major development project, to a domestic real estate fund as planned. The Revitalization Business is also making steady progress in accumulating contracts for purchasing and sales of properties.

As a result of these business activities, for the three months ended February 28, 2021, profit before tax accounted for 55.8% of the full-year profit plan, thanks to the margin of the Revitalization Business exceeding the projections made at the beginning of the year, although it is a decline of 16.6% year on year as a reaction to the absence of sales of several large properties with high margin in the same period of the previous fiscal year. While there are concerns over the future business environment such as the rise in the vacancy rate of offices in the Tokyo metropolitan area as a result of the spread of teleworking at companies and deteriorating business performance, and the reversal of the monetary policies of various countries, the Company will closely monitor trends in the real estate market and continue to proactively promote its purchasing and sales activities.

(2) Analysis of Financial Positions

As of February 28, 2021, total assets were ¥158,003 million, a decrease of ¥3,680 million compared with November 30, 2020, while total liabilities were ¥96,481 million, a decrease of ¥6,233 million.

Decrease in total assets were due to a decrease in inventories. Decrease in total liabilities were due to a decrease in borrowings and a decrease in Trade and other payables.

Total equity increased by ¥2,552 million to ¥61,522 million, mainly due to an increase in retained earnings and payment of cash dividends.

(3) Analysis of Cash Flows

Cash and cash equivalents (hereinafter "cash") as of February 28, 2021 totaled ¥35,449 million, down ¥1,590 million compared with November 30, 2020.

The cash flows for the three months ended February 28, 2021 and factors contributing to those amounts are as follows:

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥10,165 million (up 52.4% year on year). This is mainly attributed to the profit before tax of ¥4,468 million, a decrease in inventories of ¥8,834 million, a decrease in Trade and other payables of ¥1,747 million and income taxes paid of ¥1,603 million.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥5,907 million (in comparison with segment net cash used in investing activities of ¥240 million in the same period of the previous fiscal year). This is primarily due to purchase of investment properties of ¥5,963 million and collection of other financial assets of ¥97 million.

Cash Flows from Financing Activities

Net cash used in financing activities totaled ¥5,848 million (down 3.5% year on year). This mainly reflects ¥15,549 million in the repayments of non-current borrowings and ¥881 million in cash dividends paid, despite ¥10,006 million in proceeds from non-current borrowings.

(4) Operational and financial issues to be addressed

During the three months ended February 28, 2021, there was no significant change in issues to be addressed by the Tosei Group.

The Group has set the basic policy regarding the persons who control the decision-making on the financial and business policies of the Company, but there have been no material changes during the cumulative quarter after the date of submission of the securities report in the previous fiscal year.

(5) Research and development activities

No item to report.

3. Important operational contracts, etc.

No important operational contracts, etc. were determined or entered into during the first quarter of the fiscal year under review.

III. Filing company

1. Information on the Company (Tosei)'s shares, etc.

(1) Total number of authorized shares, etc.

a. Total number of authorized shares

Class	Total number of authorized shares (shares)
Ordinary shares	150,000,000
Total	150,000,000

b. Number of shares issued

Class	Number of issued shares (Shares: as of February 28, 2021)	Number of issued shares (Shares: as of the date of filing: April 9, 2021)	Name of financial instruments exchange where the stock of Tosei is traded or the name of authorized financial instruments firms association where Tosei is registered	Details
Ordinary shares	48,683,800	48,683,800	Tokyo Stock Exchange (First Section), Singapore Exchange (Mainboard)	Share unit number: 100
Total	48,683,800	48,683,800	–	–

(2) Status of stock acquisition rights

1) The detail of the stock option system

No item to report.

2) Details of other stock acquisition rights, etc.

No item to report.

(3) Exercise of bond certificates with stock acquisition rights with exercise price amendment clause

No item to report.

(4) Trends in total number of issued shares, share capital, etc.

Date	Fluctuation in the number of issued shares (Shares)	Balance of issued shares (Shares)	Fluctuation in share capital (¥ thousand)	Balance of share capital (¥ thousand)	Fluctuation in capital reserves (¥ thousand)	Balance of capital reserves (¥ thousand)
From December 1, 2020 to February 28, 2021	―	48,683,800	―	6,624,890	―	6,708,366

(5) Status of major shareholders

There is no item to report due to the reporting period being a first quarter of a fiscal year.

(6) Status of voting rights

The following status of voting rights is prepared based on the shareholder registry as of November 30, 2020, which is the latest record date, as the information as of February 28, 2021 is not yet available.

a. Issued shares

(As of February 28, 2021)

Classification	Number of shares (Shares)	Number of voting rights	Details
Shares without voting rights	–	–	–
Shares with restricted voting rights (Treasury shares, etc.)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with full voting rights (Treasury shares, etc.)	(Treasury shares held) Ordinary shares 1,508,300	–	–
Shares with full voting rights (Other)	Ordinary shares 47,170,800	471,708	–
Shares less than one unit	Ordinary shares 4,700	–	–
Total number of issued shares	48,683,800	–	–
Voting rights owned by all shareholders	–	471,708	–

Note:1. The number of "Shares with full voting rights (Other)" includes 400 shares in the name of Japan Securities Depository Center, Inc. "Number of voting rights" includes 4 units of voting rights related to shares with full voting rights in its name.

2. Number of ordinary shares in "Shares less than one unit" includes 53 shares of treasury shares.

b. Treasury shares, etc.

(As of February 28, 2021)

Name of shareholder	Address	Number of shares held under own name (Shares)	Number of shares held under the name of others (Shares)	Total number of shares held (Shares)	Percentage of number of shares held in the total number of issued shares (%)
(Treasury shares held) TOSEI CORPORATION	4-2-3, Toranomon, Minato-ku, Tokyo, Japan	1,508,300	–	1,508,300	3.09
Total	–	1,508,300	–	1,508,300	3.09

Note: At the board of directors meeting held on January 25, 2021, the Company resolved the acquisition of treasury shares from February 1, 2020 to July 31, 2021, and the Company acquired 93,500 treasury shares. As a result, the total number of treasury shares was 1,601,922 shares as of February 28, 2021.

2. Status of Officers

There was no change in Officers during the three months ended February 28, 2021 after the filing date of annual securities report for the previous fiscal year.

IV. Accounting

1. Preparation policy of the condensed quarterly consolidated financial statements

The condensed quarterly consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting” under the provision of Article 93 of the “Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements” (Cabinet Office Ordinance No. 64 of 2007).

2. Audit attestation

The condensed quarterly consolidated financial statements for the first quarter of the fiscal year ending November 30, 2021 (from December 1, 2020 to February 28, 2021) and for the first three months of the fiscal year ending November 30, 2021 (from December 1, 2020 to February 28, 2021) were reviewed by Shinsoh Audit Corporation pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act.

1. Condensed Quarterly Consolidated Financial Statements

(1) Condensed Quarterly Consolidated Statement of Financial Position

(¥ thousand)

	Notes	As of November 30, 2020	As of February 28, 2021
Assets			
Current assets			
Cash and cash equivalents	10	37,039,600	35,449,599
Trade and other receivables	10	3,192,248	3,906,138
Inventories	6	65,416,925	56,980,592
Other current assets		15,298	16,151
Total current assets		105,664,073	96,352,481
Non-current assets			
Property, plant and equipment		23,495,129	23,411,119
Investment properties		26,987,387	32,475,640
Intangible assets		209,663	200,364
Trade and other receivables	10	779,470	795,696
Other financial assets	10	3,972,309	4,366,030
Deferred tax assets		572,454	398,591
Other non-current assets		4,014	4,014
Total non-current assets		56,020,429	61,651,456
Total assets		161,684,503	158,003,938
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	10	5,466,127	4,687,858
Borrowings	10	11,794,730	11,254,772
Current income tax liabilities		925,671	691,334
Provisions		600,264	212,419
Total current liabilities		18,786,795	16,846,384
Non-current liabilities			
Trade and other payables	10	3,649,593	3,281,032
Borrowings	10	79,192,778	75,118,636
Retirement benefits obligations		546,421	563,911
Provisions		7,129	7,170
Deferred tax liabilities		532,260	664,484
Total non-current liabilities		83,928,183	79,635,235
Total Liabilities		102,714,978	96,481,620
Equity			
Share capital		6,624,890	6,624,890
Capital reserves		6,627,004	6,634,312
Retained earnings		47,442,372	49,625,575
Treasury shares		(1,500,055)	(1,598,026)
Other components of equity		(224,688)	118,227
Total equity attributable to owners of parent		58,969,524	61,404,980
Non-controlling interests		—	117,337
Total equity		58,969,524	61,522,318
Total liabilities and equity		161,684,503	158,003,938

(2) Condensed Quarterly Consolidated Statement of Comprehensive Income

(¥ thousand)

	Notes	Three months ended February 29, 2020	Three months ended February 28, 2021
Revenue	5,7	23,468,579	25,101,589
Cost of revenue		15,685,646	18,271,682
Gross profit		7,782,933	6,829,907
Selling, general and administrative expenses		2,251,710	2,252,671
Other income		6,225	63,801
Other expenses		2,286	583
Operating profit	5	5,535,162	4,640,454
Finance income		427	23,134
Finance costs		176,080	195,085
Profit before tax		5,359,510	4,468,503
Income tax expense		1,771,693	1,389,229
Profit for the period		3,587,817	3,079,274
Other comprehensive income Items that will not be reclassified to profit or loss			
Net change in financial assets measured at fair values through other comprehensive income		(296,617)	338,840
Subtotal		(296,617)	338,840
Other comprehensive income Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(4,707)	5,495
Net change in fair values of cash flow hedges		(25,273)	(1,419)
Subtotal		(29,980)	4,075
Other comprehensive income for the period, net of tax		(326,598)	342,915
Total comprehensive income for the period		3,261,219	3,422,190
Profit attributable to:			
Owners of the parent		3,587,817	3,079,536
Non-controlling interests		—	(262)
Profit for the period		3,587,817	3,079,274
Total comprehensive income attributable to:			
Owners of the parent		3,261,219	3,422,452
Non-controlling interests		—	(262)
Total comprehensive income for the period		3,261,219	3,422,190
Earnings per share attributable to owners of the parent			
Basic earnings per share (¥)	9	75.37	65.31
Diluted earnings per share (¥)	9	74.95	65.23

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

Three months ended February 29, 2020 (December 1, 2019 – February 29, 2020)

(¥ thousand)

	Notes	Share capital	Capital reserves	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of parent	Total equity
Balance at December 1, 2019		6,579,844	6,575,240	45,839,423	(1,000,037)	312,028	58,306,499	58,306,499
Profit for the period				3,587,817			3,587,817	3,587,817
Other comprehensive income						(326,598)	(326,598)	(326,598)
Total comprehensive income for the period		—	—	3,587,817	—	(326,598)	3,261,219	3,261,219
Amount of transactions with owners								
Issuance of new shares		20,360	11,516				31,876	31,876
Dividends of surplus	8			(1,998,632)			(1,998,632)	(1,998,632)
Share-based payment			8,916				8,916	8,916
Balance at February 29, 2020		6,600,204	6,595,672	47,428,608	(1,000,037)	(14,569)	59,609,878	59,609,878

Three months ended February 28, 2021 (December 1, 2020 – February 28, 2021)

(¥ thousand)

	Notes	Share capital	Capital reserves	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at December 1, 2020		6,624,890	6,627,004	47,442,372	(1,500,055)	(224,688)	58,969,524	—	58,969,524
Profit for the period				3,079,536			3,079,536	(262)	3,079,274
Other comprehensive income						342,915	342,915		342,915
Total comprehensive income for the period		—	—	3,079,536	—	342,915	3,422,452	(262)	3,422,190
Amount of transactions with owners									
Purchase of treasury shares			(67)		(97,970)		(98,038)		(98,038)
Dividends of surplus	8			(896,333)			(896,333)		(896,333)
Change from newly consolidated subsidiary							—	117,600	117,600
Share-based payment			7,375				7,375		7,375
Balance at February 28, 2021		6,624,890	6,634,312	49,625,575	(1,598,026)	118,227	61,404,980	117,337	61,522,318

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(¥ thousand)

	Notes	Three months ended February 29, 2020	Three months ended February 28, 2021
Cash flows from operating activities			
Profit before tax		5,359,510	4,468,503
Depreciation expense		274,990	355,172
Increase (decrease) in provisions and retirement benefits obligations		(460,377)	(376,098)
Interest and dividend income		(427)	(23,134)
Interest expenses		176,080	195,085
Decrease (increase) in trade and other receivables		966,453	(68,132)
Decrease (increase) in inventories		2,805,261	8,834,312
Increase (decrease) in trade and other payables		(658,784)	(1,747,928)
Other, net		8,701	(2,535)
Subtotal		8,471,407	11,635,244
Interest and dividend income received		52,800	133,119
Income taxes paid		(1,855,572)	(1,603,036)
Net cash from (used in) operating activities		6,668,635	10,165,327
Cash flows from investing activities			
Purchase of property, plant and equipment		(19,281)	(39,103)
Purchase of investment properties		(172,636)	(5,963,524)
Purchase of intangible assets		(53,004)	(2,800)
Collection of loans receivable		5,694	20
Purchase of other financial assets		(1,000)	―
Collection of other financial assets		―	97,500
Other, net		―	70
Net cash from (used in) investing activities		(240,228)	(5,907,836)
Cash flows from financing activities			
Net increase (decrease) in current borrowings		720,000	898,650
Proceeds from non-current borrowings		7,387,800	10,006,400
Repayments of non-current borrowings		(11,971,420)	(15,549,418)
Repayments of lease obligations		(62,370)	(60,508)
Proceeds from issuance of new shares		31,768	―
Capital contribution from non-controlling interests		―	117,600
Cash dividends paid		(1,944,227)	(881,253)
Purchase of treasury shares		―	(97,970)
Interest expenses paid		(223,659)	(281,500)
Net cash from (used in) financing activities		(6,062,109)	(5,848,001)
Net increase (decrease) in cash and cash equivalents		366,297	(1,590,510)
Cash and cash equivalents at beginning of period		31,998,929	37,039,600
Effect of exchange rate change on cash and cash equivalents		(443)	509
Cash and cash equivalents at end of period		32,364,783	35,449,599

(5) Notes on Condensed Quarterly Consolidated Financial Statements

1. Reporting entity

Tosei Corporation (hereinafter, the "Company") is a share company located in Japan whose shares are listed on the First Section of the Tokyo Stock Exchange and the Mainboard of Singapore Exchange. The Company's condensed quarterly consolidated financial statements for the three months ended February 28, 2021 have been prepared in respect of the Company and its consolidated subsidiaries (hereinafter collectively, the "Group"). The Group engages in the following six business operations: Revitalization Business, Development Business, Rental Business, Fund and Consulting Business , Property Management Business and Hotel Business. The operations of each business segment are presented in "5. Segment information" in the notes.

2. Basis of preparation

(ⅰ) Compliance with IFRS

Since the Company qualifies as a "Designated International Financial Reporting Standards specified company" as provided in Article 1-2 of the "Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements" (Cabinet Office Ordinance No. 64 of 2007), its condensed quarterly consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" under the provision of Article 93 of the "Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements" (Cabinet Office Ordinance No. 64 of 2007).

These condensed quarterly consolidated financial statements were approved by Seiichiro Yamaguchi, the Company's President and CEO, and Noboru Hirano, Director and CFO, on April 7, 2021.

(ⅱ) Basis of measurement

The condensed quarterly consolidated financial statements have been prepared on the historical cost basis except for assets and liabilities measured at fair value.

(ⅲ) Presentation currency and unit amount

The condensed quarterly consolidated financial statements in this report are presented in Japanese yen, the Company's functional currency. All financial information presented in Japanese yen is rounded down to the nearest thousand yen.

3. Significant accounting policies

With the exception of the following items, significant accounting policies that the Group applies in condensed quarterly consolidated financial statements are the same as the accounting policies used in the consolidated financial statements for the previous fiscal year.

4. Significant accounting estimates and judgments requiring estimates

The preparation of the condensed quarterly consolidated financial statements in compliance with IFRS requires the management of the Group to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, revenue and expenses. However, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period in which the estimates are changed and in future periods in which the change will affect.

Impact of COVID-19 on Tosei's Financial Results

Although it is difficult to accurately assess the impact and the timing of containment of the COVID-19, as in the conventional assumption, the Group assumes COVID-19 will be contained by around autumn of 2021 and economic activity will gradually return to normal, and the real estate market will recover to the 2019 level in the fiscal year ending November 2022. The Group made an accounting estimate of inventory valuation, impairment losses on fixed assets, and recoverability of deferred tax assets, etc.

5. Segment information

The Group's reportable segments are components of the Group about which separate financial information is available that the Board of Directors regularly conducts deliberations to determine the allocation of management resources and to assess the performance. The Group draws up comprehensive strategies for each of the following six business segments and conducts business activities accordingly; "Revitalization Business", "Development Business", "Rental Business", "Fund and Consulting Business", "Property Management Business" and "Hotel Business". In the Revitalization Business, the Group acquires the properties whose asset values have declined, renovates, and resells them. In the Development Business, the Group sells condominium units and detached houses to individual customers as well as apartment and office buildings to investors. In the Rental Business, the Group rents office buildings and apartments. The Fund and Consulting Business mainly provides asset management services for the properties placed in real estate funds. The Property Management Business provides comprehensive property management services. The Hotel Business provides mainly hotel operating services.

The Group's revenue and profit/loss by reportable segment are as follows:

Three months ended February 29, 2020

(December 1, 2019 – February 29, 2020)

(¥ thousand)

	Reportable Segments						Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business		
Revenue								
Revenue from external customers	18,760,384	1,046,475	1,298,853	936,123	1,212,915	213,827	—	23,468,579
Intersegment revenue	—	—	13,980	1,929	287,200	730	(303,841)	—
Total	18,760,384	1,046,475	1,312,833	938,052	1,500,116	214,557	(303,841)	23,468,579
Segment profit or loss	5,003,613	(18,525)	464,142	586,275	178,238	(166,562)	(512,019)	5,535,162
Finance income/costs, net								(175,652)
Profit before tax								5,359,510

Three months ended February 28, 2021

(December 1, 2020 – February 28, 2021)

(¥ thousand)

	Reportable Segments						Adjustment	Total
	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business		
Revenue								
Revenue from external customers	14,297,775	7,190,590	1,382,179	938,707	1,209,761	82,575	—	25,101,589
Intersegment revenue	—	—	11,443	3,052	350,615	50	(365,161)	—
Total	14,297,775	7,190,590	1,393,623	941,759	1,560,377	82,625	(365,161)	25,101,589
Segment profit or loss	3,241,011	655,062	728,713	616,549	213,457	(218,288)	(596,051)	4,640,454
Finance income/costs, net								(171,950)
Profit before tax								4,468,503

6. Inventories

Components of expenses for inventories recognized as loss on valuation are as follows:

(¥ thousand)

	Three months ended February 29, 2020	Three months ended February 28, 2021
Loss on valuation	1,929	―
Reversal of loss on valuation	―	389,762

7. Sales Revenue

Composition of revenue recognized from contracts with customers are as follows:

The Group draws up comprehensive strategies for each of the following six business segments and conducts business activities accordingly; “Revitalization Business”, “Development Business”, “Rental Business”, “Fund and Consulting Business”, “Property Management Business” and “Hotel Business”.

The relationship between the sales revenue of each reportable segment and the sales revenue classified according to type is shown below.

Three months ended February 29, 2020

(December 1, 2019 – February 29, 2020)

(¥ thousand)

	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business	Total
Sales of real estate	18,760,384	1,046,475	―	―	―	―	19,806,860
Revenue from services	―	―	137,036	935,876	1,212,915	189,438	2,475,266
Revenue recognized from other sources	―	―	1,161,816	246	―	24,389	1,186,453
Total	18,760,384	1,046,475	1,298,853	936,123	1,212,915	213,827	23,468,579

Note: Revenue recognized from other sources is revenue recognized under IFRS 16 Leases and IFRS 9 Financial Instruments.

Three months ended February 28, 2021

(December 1, 2020 – February 28, 2021)

(¥ thousand)

	Revitalization Business	Development Business	Rental Business	Fund and Consulting Business	Property Management Business	Hotel Business	Total
Sales of real estate	14,297,775	7,165,690	―	―	―	―	21,463,466
Revenue from services	―	24,899	162,430	935,189	1,209,761	55,554	2,387,836
Revenue recognized from other sources	―	―	1,219,749	3,517	―	27,020	1,250,287
Total	14,297,775	7,190,590	1,382,179	938,707	1,209,761	82,575	25,101,589

Note: Revenue recognized from other sources is revenue recognized under IFRS 16 Leases and IFRS 9 Financial Instruments.

8. Dividends

Dividends paid in the three months ended February 29, 2020 and February 28, 2021 are as follows:

Three months ended February 29, 2020				
Resolution	Dividends per share (¥)	Total dividends (¥ thousand)	Record date	Effective date
Ordinary General Meeting of Shareholders held on February 26, 2020	42	1,998,632	November 30, 2019	February 27, 2020

Three months ended February 28, 2021				
Resolution	Dividends per share (¥)	Total dividends (¥ thousand)	Record date	Effective date
Ordinary General Meeting of Shareholders held on February 25, 2021	19	896,333	November 30, 2020	February 26, 2021

9. Earnings per Share

	Three months ended February 29, 2020	Three months ended February 28, 2021
Profit attributable to owners of the parent (¥ thousand)	3,587,817	3,079,536
Net income used to figure diluted net income per share (¥ thousand)	3,587,817	3,079,536
Weighted average number of outstanding ordinary shares (shares)	47,605,745	47,152,020
The number of increased ordinary shares used to figure diluted earnings per share (shares)	265,697	60,267
The weighted-average number of ordinary shares used to figure diluted earnings per share (shares)	47,871,442	47,212,287
Basic earnings per share (¥)	75.37	65.31
Diluted net income per share (¥)	74.95	65.23

Notes: Basic earnings per share is calculated by dividing profit attributable to owners of the parent, by the weighted average number of outstanding ordinary shares during the reporting period.

10. Financial instruments

(i) Fair values and book values

Fair values of financial assets and liabilities and their book values presented in the condensed quarterly consolidated statement of financial position are as follows:

(¥ thousand)

	As of November 30, 2020		As of February 28, 2021	
	Book value	Fair value	Book value	Fair value
Financial assets				
Financial assets measured at amortized cost				
Cash and cash equivalents	37,039,600	37,039,600	35,449,599	35,449,599
Trade and other receivables	3,003,105	3,003,105	2,579,922	2,579,922
Financial assets measured at fair value through other comprehensive income				
Other financial assets	3,603,838	3,603,838	3,994,721	3,994,721
Financial assets measured at fair value through profit or loss				
Other financial assets	368,471	368,471	371,309	371,309
Financial liabilities				
Financial liabilities measured at amortized cost				
Trade and other payables	6,414,729	6,414,729	6,794,475	6,794,475
Borrowings	90,987,508	90,983,844	86,373,408	86,368,736

Method for measuring fair value of financial instruments

Cash and cash equivalents, trade and other receivables, trade and other payables, and current borrowings

The book values of these financial instruments that are settled in a short period of time approximate the fair values.

However, the fair values of interest rate swaps are based on market values presented by financial institutions.

Other financial assets

The fair values of listed securities are measured based on quoted market prices. For financial assets for which there is no active market and unlisted securities, the Group estimates fair values using certain valuation techniques including the use of recent arm's length transactions, reference to other instruments that are substantially at the same price, and the discounted cash flow method.

Non-current borrowings

The fair values of non-current borrowings with floating interest rate approximate the book values, as interest rates reflect market interest rates in short-term intervals. The fair values of those with fixed interest rate are measured based on the present value of the total amount of principal and interest discounted by the interest rate that would be charged for a new similar borrowing.

(ii) Fair value hierarchy

The following shows the analysis of financial instruments measured at fair value after the initial recognition. Fair values of financial instruments are classified into level 1 to level 3.

Level 1: Fair values measured at a price quoted in an active market
Level 2: Fair values calculated directly or indirectly using an observable price except for level 1
Level 3: Fair values calculated through valuation techniques, including inputs that are not based on observable market data

(¥ thousand)

	As of November 30, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair values through other comprehensive income	3,436,629	—	167,209	3,603,838
Financial assets measured at fair values through profit or loss	—	—	368,471	368,471
Financial liabilities measured at fair value through other comprehensive income (derivative)	—	30,256	—	30,256

	As of February 28, 2021			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair values through other comprehensive income	3,924,920	—	69,801	3,994,721
Financial assets measured at fair values through profit or loss	—	—	371,309	371,309
Financial liabilities measured at fair value through other comprehensive income (derivative)	—	32,279	—	32,279

Reconciliation of financial assets classified in level 3 at the beginning of the period with those at the end of the period is as follows:

(¥ thousand)

	Three months ended February 29, 2020	Three months ended February 28, 2021
Balance at beginning of period	490,206	535,680
Acquisition	1,000	—
Comprehensive income		
Profit (loss)	921	—
Other comprehensive income	(1,300)	2,930
Disposal	—	(97,500)
Balance at end of period	490,828	441,110

11. Significant subsequent events

No item to report.

2. Other

No item to report.

B. Information on Guarantee Companies, etc. of Filing Company

No items to report.

(Translation)

Quarterly Review Report of Independent Auditors

April 7, 2021

To the Board of Directors of
Tosei Corporation

Shinsoh Audit Corporation

Designated and Engagement Partner,
Certified Public Accountant:

Takayuki Sakashita (Seal)

Designated and Engagement Partner,
Certified Public Accountant:

Atushi Iijima (Seal)

Auditor's Conclusion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have reviewed the condensed quarterly consolidated financial statements of Tosei Corporation included in the "Accounting" section, namely, the condensed quarterly consolidated statements of financial position, comprehensive income, changes in equity, and cash flows, as well as their notes, for the first quarter (December 1, 2020 to February 28, 2021) and the first three-month period (December 1, 2020 to February 28, 2021) of the fiscal year from December 1, 2020 to November 30, 2021.

In our quarterly review, we have concluded that the condensed quarterly consolidated financial statements referred to above are in conformity with International Accounting Standard 34 "Interim Financial Reporting," under the provision of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements of Japan, and nothing has come to our attention that causes us to believe that they do not fairly present, in all material respects, the financial positions of the Company and its consolidated subsidiaries as of February 28, 2021, and the consolidated results of their operations and their cash flows for the three-month period then ended.

Basis for Auditor's Conclusion

We conducted a quarterly review in conformity with quarterly review standards generally accepted in Japan. Our responsibility under the quarterly review standards is described in "Auditor's Responsibility in the Quarterly Review of the Condensed Quarterly Consolidated Financial Statements." In accordance with the professional ethics regulations in Japan, we are independent of the Company and its consolidated subsidiaries and fulfill our other ethical responsibilities as an auditor. We believe that we have obtained the evidence to provide a basis for our conclusion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Condensed Quarterly Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these condensed quarterly consolidated financial statements in conformity with International Accounting Standard 34 "Interim Financial Reporting." This includes the design, implementation, and maintenance of internal control as management determines is necessary to enable the preparation and fair presentation of condensed quarterly consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed quarterly consolidated financial statements, management evaluates whether it is appropriate to prepare the condensed quarterly consolidated financial statements based on a going concern assumption, and is responsible for disclosing any matters as a going concern that require

disclosure pursuant to Paragraph 4 of International Accounting Standard 1 “Presentation of Financial Statements.”

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of duties by Directors in designing, implementing and maintaining a financial reporting process.

Auditor’s Responsibility in the Quarterly Review of the Condensed Quarterly Consolidated Financial Statements

Our responsibility is to express a conclusion from an independent perspective on these condensed quarterly consolidated financial statements based on our quarterly review as independent auditor.

We will make professional judgments throughout the quarterly review process in conformity with the quarterly review standards generally accepted in Japan, and carry out the following with professional skepticism.

- Make inquiries, primarily of management and persons responsible for financial and accounting matters, and apply analytical procedures and other quarterly review procedures. Such a review is substantially less in scope than an audit conducted in conformity with auditing standards generally accepted in Japan.
- If material uncertainties related to events or conditions that may cast significant doubt upon going concern assumption are recognized, conclude whether nothing comes to attention that causes us to believe that the documents are not fairly presented based on the evidence obtained in the condensed quarterly consolidated financial statements in conformity with Paragraph 4 of International Accounting Standard 1 “Presentation of Financial Statements.” In addition, if material uncertainties regarding going concern assumption are recognized, the quarterly review report shall refer to the notes to the condensed quarterly consolidated financial statements, or, if material uncertainties stated in the notes to the condensed quarterly consolidated financial statements are inadequate, we are required to express qualified or adverse conclusions on the condensed quarterly consolidated financial statements. The auditor’s conclusions are based on evidence obtained by the quarterly review reporting date, but future events and circumstances may prevent the Company from continuing as a going concern.
- Evaluate whether nothing comes to attention that causes us to believe that the presentation and notes to the condensed quarterly consolidated financial statements do not comply with International Accounting Standard 34 “Interim Financial Reporting,” or that the presentation, composition and contents of the condensed quarterly consolidated financial statements including related notes as well as the transactions and accounting events underlying the condensed quarterly consolidated financial statements are not fairly presented.
- Obtain evidence regarding financial information of the Company and its consolidated subsidiaries to express a conclusion on the condensed quarterly consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the quarterly review of the condensed quarterly consolidated financial statements, and is solely responsible for its conclusion.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board on the scope and timing of the planned quarterly review and material findings in the quarterly review.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board that it has complied with Japan’s professional ethics regulations regarding independence as well as on matters that are reasonably considered to affect the independence of the auditor, and the content of safeguards, if any, taken in order to eliminate or mitigate disincentives.

Interest

Our firm and the engagement partners do not have any interest in the Company and its consolidated subsidiaries for which disclosure is required under the provisions of the Certified Public Accountants Act

End

∗1. The above is a digitization of the text contained in the original copy of the Quarterly Review Report, which is in the custody of the Company (filing company of the quarterly securities report) as attachments to the financial statements.

2.XBRL data is excluded from the scope of the quarterly review.

Note:
The English version of the financial statements consists of an English translation of the reviewed Japanese financial statements. The actual text of the English translation of the financial statements was not covered by our review. Consequently, for the auditors' review report of the English financial statements, the Japanese original is the official text, and the English version is a translation of that text. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.